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Technical
Safety Authority
of Saskatchewan

# ANNUAL REPORT 2017

Inspiring and Shaping Excellence in

# Public Safety

# Table of Contents


## 01 INTRODUCTION

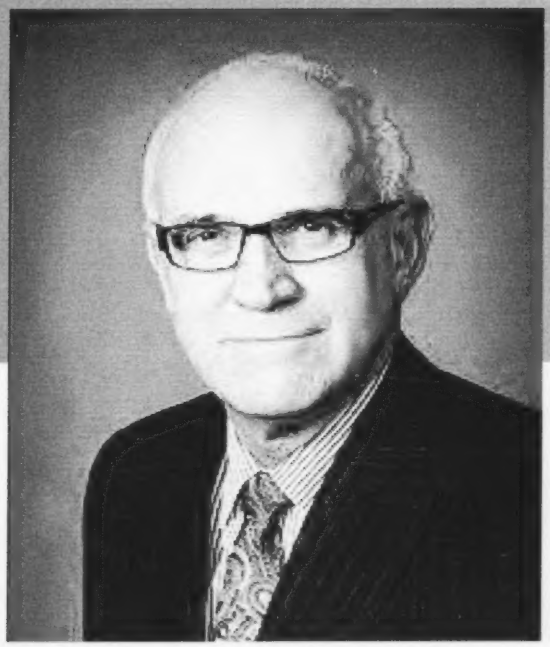
Chair's Message 01
Vision and Mission 02
Values 03
Message from the CEO 04

## 02 THE COMPANY

Management's Discussion of Financial and Operational Performance 08
Board of Directors 19

## 03 FINANCIAL INFORMATION

Management's Responsibility for the Financial Statements 21
Independent Auditors' Report 22
Financial Statements 23
Notes to the Financial Statements 26



# Chair's Message

**Tom Robinson**

As Chair of the Board of Directors for the Technical Safety Authority of Saskatchewan (TSASK), it is my pleasure to introduce the Company's 2017 Annual Report, which includes its Financial Statements for the year ended June 30, 2017.

Fiscal 2016-17 was once again a challenging year for TSASK's customers and industry participants as they continued to adjust their businesses and strategies in response to the economic downturn in Saskatchewan. TSASK was successful in anticipating the impact these changes would have on its revenues and for the second year in a row adjusted its business accordingly. Management has created an environment that encourages efficiency improvements and internal accountabilities without compromising service levels and safety excellence. On behalf of the Board of Directors, thank you to the TSASK team for your hard work, flexibility and commitment.

I would also like to acknowledge those Board members who completed their term during the year and welcome the new directors who have recently joined our Board. More information on these individuals can be found on pages 19 and 20 of this report.

Finally I would like to thank all of TSASK's customers and the many industry participants that continue to support our organization as we strive to inspire and shape excellence in public safety. Through its mandate, TSASK performs important work that contributes to the economic prosperity of the province. We look forward to working on your behalf to deliver on our vision, mission and values for 2017-18 and beyond.

Sincerely,

Tom Robinson, Chair of the Board

## VISION

Recognized as a leading safety authority - a Saskatchewan service provider, inspiring and shaping excellence in public safety.

## MISSION

In collaboration with owners, operators and the industry, TSASK provides professional safety, educational and regulatory services that instill a high level of confidence in our public safety system.

# Our Guiding Principles

## VALUES

*Safety is Paramount*
We practice uncompromised safety in and through the services we deliver.

*Integrity*
We are open, honest, ethical and transparent in our conduct.

*Accountability*
We are committed to responsible, consistent and dependable actions.

*Teamwork*
We believe in the strength of collaborative efforts.

*Respect*
We treat colleagues, customers and stakeholders with respect.

*Recognition*
We value and acknowledge the work, ideas, initiatives and contributions of our colleagues and customers.

*Professional Service*
We add value to our customers through excellence in everything we do.

*Continuous Learning*
We invest in our employees' learning, growth and transfer of knowledge to support continuous improvement.

# Message from the CEO

William J. Scott

I am pleased to present to stakeholders, my highlights of TSASK's performance for the 2016-17 fiscal year.

Last year, I spoke of the work we had done to position our organization to weather the economic downturn in Western Canada, while remaining responsive to industry and customer requirements. The benefit of that work is clearly evident in our results for fiscal 2017, despite the continued pressure on our revenues this past year.

Before I detail our challenges and accomplishments, I would like to acknowledge the entire TSASK team. Their commitment to our strategic priorities ensures, regardless of the difficult economy, that we continuously and proactively pursue our vision of inspiring and shaping excellence in public safety. What is most striking to me is the transformation of our team over the past five years. We have become more agile and resilient. We have created a stronger company financially and we have empowered a team that embraces collaboration, accountability and beyond-the box thinking.

Our priorities over the past year were focused on three major areas:

- Continuous improvement to support future growth,
- Operational efficiency enhancements, and
- Regulatory leadership.

TSASK was swift to react to the economic realities facing its customers, moving quickly to adjust our business two years ago. As expected, revenues for fiscal 2017 were down relative to the prior year. TSASK generated $8.97 million, a decrease of approximately 3.2% from $9.27 million in fiscal 2016, due in large part to a reduction in revenues from inspection services and design registrations, and partially offset by an increase in equipment licensing, permit fees and other services. TSASK more than offset this decline by cutting its expenses year-over-year by over $1.0 million or 10.5% through focussed cost containment. We fully examined our staffing levels, which resulted in a reduction in salaries and benefit expenses. We significantly reduced external consulting expenses and deferred investments in database and website enhancements. This allowed TSASK to generate positive net earnings of $451,582 for fiscal 2017, which compares to a loss of $248,939 in fiscal 2016.

Additional detailed financial and operational information is available to readers in Management's Discussion of Financial and Operational Performance beginning on page 8.

As we navigated through the economic downturn, we implemented a new approach to our budgeting process. We now not only engage our management group, but we include operational and administration staff in our deliberations - those who have direct contact with our customer base. This helps us anticipate industry fluctuations and adjust our operational plans and financial expectations to better reflect and respond to customer requirements as they implement their business recovery strategies.

In terms of efficiency enhancements, you will recall in fiscal 2015 that one of our biggest accomplishments was the implementation of the first module of Basebridge. Basebridge is a customized software solution that gives TSASK the tools to meaningfully improve internal efficiencies and reporting while enhancing the delivery of services to customers. The first module was implemented for the Boiler Pressure Vessel unit. In April 2017, we successfully executed a new module for our Elevating Devices area. Unlike our work in 2015, we were able to implement this new technology solution solely using our internal information technology team with no outside consultant support. Through this work, we were able to identify additional efficiencies and processes that we can now apply and incorporate into the Boiler Pressure Vessel module to further improve its efficiency. I would personally like to acknowledge the work of our IT team for their important contribution to our service delivery model.

On the regulatory front, TSASK continues to embrace its leadership role for industry, working very closely with the Ministry of Government Relations to provide advice and guidance with respect to the regulations that apply to the three Acts that govern our operations - *the Boiler and Pressure Vessel Act, 1999; The Passenger and Freight Elevator Act; and The Amusement Ride Safety Act.* All three sets of regulations were reviewed during the past fiscal year. TSASK assisted the Ministry in developing various materials that were presented to the Red Tape Reduction Committee (RTRC) of government. We anticipate the resulting regulatory changes will go through the legislative process in fiscal 2018. The intention is to provide more effective enforcement and accountability among industry participants. I would like to formally thank the Ministry of Government Relations for the efforts of their team. From my perspective, the work has advanced earlier, faster and farther than we originally anticipated.

This year, TSASK will host the 54th annual meeting of the Association of Chief Inspectors (ACI) for boiler and pressure vessel safety and operating power engineers' legislation. At the same time, we will host the annual Canadian Standards Association (CSA) code meetings. These annual events bring together industry users, manufacturers, pressure equipment interest groups and all provincial, territorial and federal regulators including the National Energy Board (NEB) and the Canadian Nuclear Safety Commission (CNSC). The members, associates and guests attending these meetings represent professionals from a broad spectrum, including utilities, power generation, chemicals, consumer products, oil and gas, mining, manufacturing, insurance, compressed gas, engineering and consulting, and trade unions. The purpose is to promote safety and harmonization and directly affect code changes while having an opportunity to influence regulatory amendments.

I too am taking an even more active leadership role in shaping national standards in public safety. In fiscal 2017,

"TSASK assisted the Ministry in developing various materials that were presented to the Red Tape Reduction Committee (RTRC) of government. We anticipate the resulting regulatory changes will go through the legislative process in fiscal 2018."

*Bill Scott, CEO*

I was appointed to the National Public Safety Advisory Committee (NPSAC), representing Saskatchewan. NPSAC is a national forum for federal, provincial and territorial regulators that exchanges information and provides input, discussion and advice on matters of policy, performance and public and economic value-related issues with respect to national public safety. Our work impacts the processes and regulations governing amusement rides, boiler and pressure vessels, electrical and fuel safety and elevating devices. It serves industry and regulators and those entities that are focused on enhancing economic development and trade for the long-term.

As we turn our attention to the future, it is our expectation that oil and gas prices will remain stagnant, which will continue to impact our customers' capital spending plans in the near term. However, based on recent economic reports, we believe the economy in Saskatchewan will begin to respond positively during the latter half of fiscal 2018. Optimism from industry is consistent with that view.

I believe that we have proactively positioned TSASK to advance our services for the benefit of the Province. We will continue to look for ways to increase our value to the industry stakeholders we serve. We have developed the expertise. We have implemented the business processes and accountabilities. We have partnered with industry, government and regulatory bodies to advance safety priorities on behalf of the Province of Saskatchewan. And we remain diligent in exploring opportunities to reduce duplication and create more efficiency for all.

In closing, I would like to thank the past and present TSASK Board of Directors for your commitment to our organization. I look forward to working with our current Board to advance our vision of inspiring and shaping excellence in public safety.

Sincerely,

Bill Scott, CEO

# A Year
## at a Glance

*"I could not be prouder of the TSASK team. The work they've undertaken to position our organization for the long-term has been invaluable. They have embraced the challenges of the economic downturn and implemented new processes and technologies to increase productivity and enhance the customer experience. Their focus on continuous improvements, operational enhancements and regulatory leadership allows us to deliver on our mandate and generate additional value for our customers, industry and the Province of Saskatchewan."*

*Bill Scott, CEO*

| | |
|---|---|
| $451,582 | Fiscal 2017 net earnings reached $451,582 - the result of efficiency measures that have been implemented over the past 24 months. |
| ↓ 10.5% | TSASK reduced its 2016-2017 expenses by over $1.0 million or 10.5% year-over-year. |
| 15.0% | TSASK completed its restructuring initiative during 2017. Through attrition, retirements and the elimination of vacant positions, its staffing complement has been reduced by 15.0% over the past two years. |
| ↑ 12.3% | TSASK's total net asset position as of fiscal 2017 was $4.1 million compared to $3.7 million as of June 30, 2016, an increase of 12.3%. |
| 2.9% | The number of outstanding inspections of non-QMS equipment remained low at 2.9% of total inventory in 2017. |
| ✓ | Operationally, TSASK implemented a new software solution for its Elevating Device unit that will generate substantial efficiencies, improve customer service and enhance reporting and information sharing. |
| ✓ | TSASK's partnership with SaskPower and the Prairie South School Division that promotes power-engineering education in the Province expanded to include six new school divisions in 2017. |
| ✓ | The Company worked closely with the Ministry of Government Relations during the year on recommendations to update all three regulations that TSASK administers and enforces. The recommendations were reviewed by the Red Tape Reduction Committee of government and are expected to go before the legislature next year. |

# Management's Discussion of Financial and Operational Performance

The purpose of Management's Discussion of Financial and Operational Performance is to enhance our stakeholders' understanding of the industry trends that drive our priorities as an organization. It also provides financial and operational context to support the disclosures contained in the 2016-17 audited financial statements.

**Organizational Overview**

The Technical Safety Authority of Saskatchewan (TSASK) is a not-for-profit organization established July 1, 2010 through the *Technical Safety Authority of Saskatchewan Act*. TSASK was created from the Licensing and Inspections Branch of the Ministry of Corrections, Public Safety and Policing with a mandate of delivering safety programs related to pressure equipment, elevating devices and amusement rides in the Province. TSASK's relationship with government now resides with the Ministry of Government Relations.

TSASK's registration, inspection, certification and licensing programs and services operate on a fee-for-service basis. These fees are charged to the sectors that design, manufacture, install, operate and own potentially hazardous equipment. TSASK administers and enforces the provisions of the following legislation and related regulations:

- ***The Boiler and Pressure Vessel Act, 1999;***
- ***The Passenger and Freight Elevator Act;***
- ***The Amusement Ride Safety Act.***

TSASK operates at arms-length from the provincial government, under the terms of a Safety Standards Agreement (SSA).

The Government of Saskatchewan, through the Ministry of Government Relations continues to be responsible for the legislative and regulatory requirements governing the safe operation of boilers, pressure vessels, elevators and amusement rides. They also continue to be responsible for establishing safety standards, policies, legislative and regulatory requirements related to public safety.

**Corporate Mandate**

The Technical Safety Authority of Saskatchewan is responsible for the administration and enforcement of legislation and regulations on behalf of government.

Our professional team provides a full range of programs and services including:

- licensing and permitting;
- assessing regulated equipment design;
- overseeing the fabrication and installation of regulated equipment;
- assessing and certifying knowledge and quality practices within registered organizations;
- testing, certifying and licensing of industry personnel;
- inspecting regulated equipment;
- educating and informing industry;
- contributing to the advancement of safety standards;
- enforcing standards and legislation;
- investigating reported accidents.

These services are provided to individuals and organizations that design, manufacture, install, operate or

own any equipment that falls within our area of responsibility.

**Fiscal 2016-17 Review of Financial Performance**

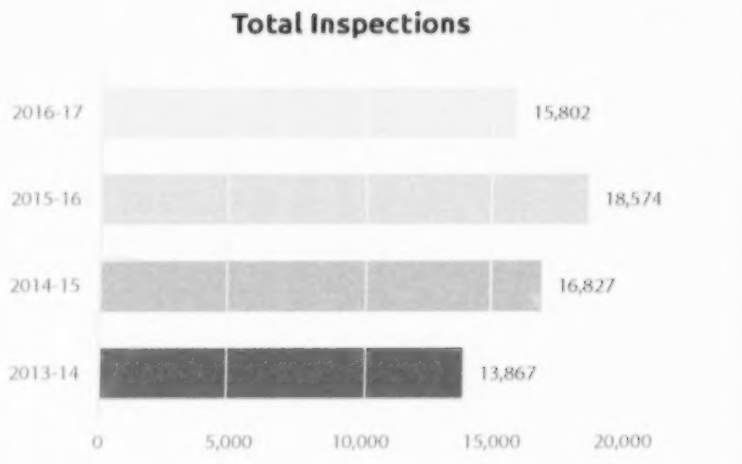
Economic growth in the Province is a key contributor to growth in TSASK's revenue base. However, our primary revenue stream is derived from the licensing of boilers, pressure vessels, and elevators, which are largely stationary items that are well insulated from economic slowdowns.

**Revenues**

From a revenue recognition and cash flow perspective, our fees from licensing are collected in advance and are recognized as revenue over a one to five year period, depending on the type and term of the licence. This means that TSASK has a core base of stable, dependable revenues.

For the past two years, the Saskatchewan economy has suffered from the impact of low oil and gas prices, together with a significant drop in construction activity. This caused many industries to limit their capital spending and put major investments on hold and, as anticipated, reduced TSASK revenues for the same period.

Revenues for 2016-17 were $8.965 million, down approximately 3.2% from the $9.265 million we earned last year. The decline is a direct result of economic factors that have caused customers to scale back their operations and limit demand for design registration, inspection services, certifications and licensing. The total number of inspections




TSASK completed in fiscal 2017 was 15,802 down 15.0% compared to the 18,574 completed in fiscal 2016. This reflects a decline in demand, together with a reduction in the number of inspectors in place in 2017.

Boiler and Pressure Vessel revenue for fiscal 2017 was $7.372 million, down 3.1% from the $7.608 million generated in 2016. The largest variance was in design registrations, which declined by 17.9% or $157,939 year-over-year. Many customers have held off on capital projects due to low oil prices, reducing the number of design submissions received by TSASK. The majority of the decline was in expedited submissions, which command a premium in exchange for quick turnaround times. It is notable that expedited design submissions experienced an upswing in the fourth quarter of fiscal 2017 due to demands from the Swift Current Chinook Power Plant.

The second largest revenue variance was from Boiler and Pressure Vessel inspections, which decreased by 13.3% or $92,523 to $602,899 in fiscal 2017. TSASK saw lower installation (acceptance) inspections, which are required on new equipment that is brought into the Province.

The third major category that experienced a decline was exams, certifications and licensing. Fiscal 2017 revenues for pressure welders were $341,348 compared to $411,491 in the prior year. Reduced weld tests, and less demand for pressure welders due to economic factors were the primary reasons.

On the positive side, TSASK experienced revenue growth in equipment licensing, shop inspections and exam revenues.

Boiler and Pressure Vessel Equipment licensing revenues for 2016-17 increased 18.1% year-over-year

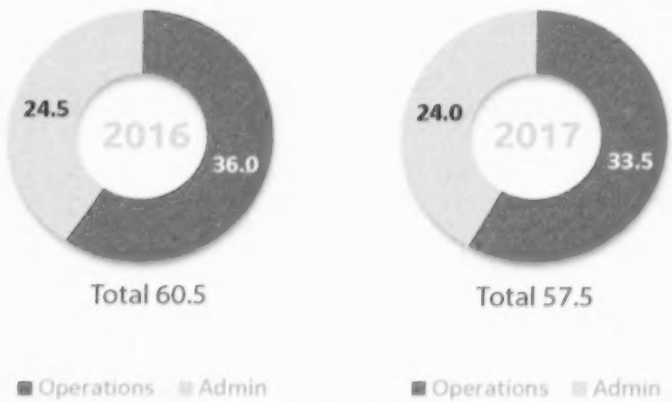
to $3.798 million. Merger and acquisition activities increased in Saskatchewan over the past year due to difficulties in the oil sector. When equipment changes hands, the purchaser is required to re-license all of the equipment and as a result, TSASK experienced an increase in revenue from this category. Shop inspection revenue also increased from 2016. Fiscal 2017 revenues were $186,977 compared to $153,463, which represents a 21.8% increase. An increase in demand for boilers by the United States from Saskatchewan-based manufacturers resulted in increased shop inspections. Finally, exam fee revenue grew year-over-year by 6.0% to $433,091, particularly in the fourth quarter, when the number of exam writers significantly exceeded the prior three quarters.

Elevator Device revenue for fiscal 2017 was $1.461 million, a 4.8% decline from the prior year. The reduction primarily reflects a 43.5% decline in acceptance inspections for new installations and a 21.7% decline in design registration for new projects. Partially offsetting this variance is an increase in annual equipment licensing that was required for elevators installed in the prior fiscal year.

Total amusement ride revenues for 2017 increased by 2.8% to $53,534 from a year earlier. The increase is the result of more design registrations for new equipment and a change in the class of rides that were licensed to those that generate higher fees, partially offset by lower inspection ride services in 2016-17.

Finally, other revenue for the year was $78,528, an increase of 12.8% compared to fiscal 2016. This increase was mostly due to interest TSASK earned on investments that matured during the year.

**FTE Count**




**Expenses**

In light of the economic challenges within the Province of Saskatchewan over the past two years, management proactively implemented an organizational review and restructuring last year, the results of which are clearly evident in the fiscal 2017 results. The purpose was to align staffing levels and other expenses with current demands of the business.

TSASK's expenses for the 2016-17 year were $8.514 million, down 10.5% from the prior year when expenses were $9.514 million. Salaries and benefits, the Company's largest expense, declined to $6.169 million primarily in Operations, down 11.9% compared to the $6.999 million spent last year. Full-time equivalent (FTE) positions declined by three positions to 57.5 at the end of fiscal 2017. This is the second year in a row that TSASK has been able to influence its employee complement through retirements, downsizing and vacancies not being filled. Since fiscal 2015, FTE positions are down 15.0%.

All other expenses, with the exception of administrative and amortization expenses, declined year-over-year. Other business expenses were 20.4% lower than the prior year at $274,123, due to lower costs in staff training and development, professional fees, and the implementation of efficiency measures. Legal, accounting and other service expenses declined 15.4% to $205,272 in fiscal 2017 as management limited its use

of external service providers. Travel expenses were $459,700, down $45,250 or 9.0% compared to $504,950 in 2016.

Rent, space and equipment expenses declined by 4.9% to $695,115 from $730,557 for fiscal 2016 due to lower information technology expenses. During 2016, TSASK incurred transition costs of $68,000 to move its information technology in-house. This was partially offset by a Basebridge subscription fee increase of $26,000 in fiscal 2017 related to the elevator module implementation.

Board and Committee expenses also declined significantly year-over-year. Board expenses were $83,369 in fiscal 2017 compared to $99,812 in fiscal 2016. The reduction in expenses reflects a smaller Board, which has declined from 10 directors in 2016 to five directors at the end of fiscal 2017.

Partially offsetting these expense reductions was a 5.3% increase in amortization to $443,309 in fiscal 2017. TSASK started amortizing the Basebridge Elevator module in 2016-17, implemented the CAMtria software, which allows the Company to provide feedback to exam writers, and implemented the Orion Point of Sale (POS) system. All these items resulted in a minor increase in amortization of $22,167 year-over-year.

Administrative expenses increased by 7.3% or $12,492 to $184,324. This was mainly due to an initiative to convert paper design submission files to digital, and the need for more exam materials.

**Net Earnings**

Management's efforts to align its business and expense structure with industry's demands resulted in TSASK generating net earnings in fiscal 2017 of $451,482. This compares favourably to the $248,939 loss the Company incurred in 2016 due to the significant economic downturn in Western Canada.

**Capital Expenditures**

Total capital expenditures for the year were just $44,190 compared to $171,711 in fiscal 2016, consisting primarily of additional Basebridge software required to support the elevator module.

**Net Assets**

TSASK's total net asset position as of fiscal 2017 was $4.120 million compared to $3.668 million as of June 30, 2016, an increase of 12.3%. It is comprised of an investment in capital assets, an operating reserve, as well as an externally restricted operating reserve. The Safety Standards Agreement (SSA) states that TSASK must achieve and maintain a surplus or reserve that is not less than the operating costs of TSASK for a period

of four months. The surplus may be comprised of a net asset account containing a minimum of $600,000 and the remainder of the reserve is to be funded through short-term and long-term deferred revenues. As of June 30, 2017, TSASK met the SSA requirement.

**Review of Operational Performance**

TSASK is responsible for inspecting, regulating and licensing pressure vessel equipment, as well as elevating devices and amusement rides.

The number of licenced pressure equipment items at the end of fiscal 2016-17 totaled 32,899, an increase from the 32,650 in place at the end of fiscal 2015-16, but similar to a peak in 2016 of 32,915 when a major potash producer added a variety of new equipment to their plant.

Licenced elevating device inventory includes passenger and freight elevators, dumbwaiters, lifts for the physically disabled, construction personnel lifts, and ski lifts. In 2016-17, there were 4,105 units in Saskatchewan, which rose by approximately 4.2% from 3,938 at the end of fiscal 2016. The increase reflects continued residential growth trends as well as the addition of above ground elevators at a number of mine sites.

The number of amusement rides that were licensed to operate in Saskatchewan during 2016-17 was 391, up slightly from the 386 licensed in 2016.

**Quality Management Systems**

Quality Management Systems (QMS) are available to companies who are able to illustrate their commitment to safety and demonstrate increased internal accountability and quality control. Owners or insurers of pressure equipment establish a documented inspection program. The owners, which are primarily larger customers, employ their own qualified inspection personnel who are required to perform recognized, periodic inspections on equipment they own or insure. TSASK approves and audits those programs to ensure compliance.

TSASK remains committed to educating the industry on the benefits of developing a QMS program. There were nine companies in fiscal 2017 operating under a QMS, representing approximately 25.2% of all provincial inventory. This is down from the prior year when 28.2% of licensed inventory operated under a QMS. The reduction reflects sales of equipment assets by QMS companies to non-QMS companies.

**Inspection Services**

Inspection services are integral to TSASK's mandate. They ensure that effective and efficient safety programs are in place to support the growth of the provincial economy. They also confirm continued compliance by various Saskatchewan industry participants who are contributing to the Province.

The table below illustrates TSASK's inspection services relative to the prior fiscal years.

It is important to note that annual inspections are not required on all pressure equipment. We conduct periodic inspections to determine the condition of the equipment and its fitness to continue to operate safely, considering the operating conditions and environment. Inspection frequencies vary between one and five years, consistent with accepted regulatory practices. Periodic inspections by TSASK in 2017 represented 33.0% of the total inventory that TSASK is responsible for. This compares to 41.8% in fiscal 2016.

TSASK conducted 8,120 in-service pressure vessel inspections in fiscal 2017, which is a 17.2% decrease relative to 2016, when the Company achieved its all time best record of 9,804 inspections. The decrease this year was anticipated. Last year, TSASK had additional inspectors on staff as part of its succession planning requirements, which allowed the Company to address past due inspections. The 2017 reduction reflects a decrease of 3.5 full-time equivalent inspector positions year-over-year as a result of organizational restructuring.

## TSASK & QMS Inspection Services

| | 2014-15 Actual | 2015-16 Actual | 2016-17 Actual | % Increase/ Decrease Over Last Year |
|---|---|---|---|---|
| In-service pressure equipment | 9,513 | 9,804 | 8,120 | -17.2% |
| Pressure equipment installation acceptances | 3,987 | 5,010 | 4,119 | -17.8% |
| In-service elevating devices | 2,747 | 3,165 | 2,994 | -5.4% |
| Elevating device modification, modernization and installation | 239 | 237 | 188 | -20.7% |
| Amusement ride initial set-up | 341 | 358 | 381 | 6.4% |
| *Total TSASK Inspections* | *16,827* | *18,574* | *15,802* | *-15.0%* |
| Quality Management System inspections | 852 | 2,238 | 639 | -71.5% |
| *Total Provincial Inspections* | *17,679* | *20,812* | *16,441* | *-21.0%* |

The number of pressure equipment installation acceptances is also down from last year by approximately 17.8%, which reflects a reduction in capital spending by customers of new equipment assets due to the impact that oil and gas prices has had on the economy. As well, we saw large companies either delay turnaround plans or scale back shutdown activities, reducing repair and alteration acceptance work for TSASK.

QMS inspections in fiscal 2017 were down 71.5% to just 639 inspections compared to 2,238 in 2016. Last year, inspections were unusually high as a result of the implementation of new processes and increased communication by TSASK with QMS companies. This year's numbers are more aligned with the norm.

The number of outstanding inspections of non-QMS equipment increased to 2.9% of total inventory, which is up slightly from 2.2% last year. The total inventory TSASK inspects grew by 5.0% in 2017. Sales from QMS organizations to non-QMS companies contributed to the increase in non-QMS inventory.

It is important to note TSASK has consistently and substantially reduced overdue inspections since its inception as a standalone entity. In fiscal 2015, TSASK increased its complement of inspectors to address succession-planning requirements, economic expectations at the time, and to place additional effort on reducing overdue inspections. During 2016 and into fiscal 2017, staffing was reduced to better align the business with decreased industry demands. Even with a reduction of resources and increased inventory, TSASK was able to manage its overdue inspections as planned.

Compared to 2015-16, elevating device inspections decreased by 5.4%, to 2,994 completed in-service inspections in fiscal 2017. Not all elevating devices required an annual inspection. However, the percentage is significantly higher than pressure equipment inspections because elevators experience higher mechanical wear and tear due to the cyclical nature of their operations. Approximately 77.5% of all elevating devices received inspections, which is on par with the five-year average of 78.9% and ahead of the ratio of 0.667, which is required to maintain our 18-month inspection interval policy. The implementation of the Basebridge module in 2017 also had a minor and temporary impact on the number of completed inspections.

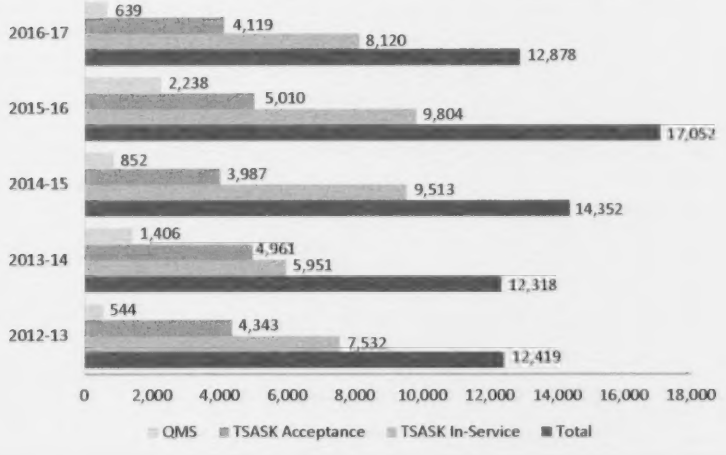
Demand for acceptance inspections, which require more time, resulted in 188 inspections being performed on new installations, modernizations or major modifications. This is down by 20.7% from fiscal 2016. Total licensed equipment inventory grew compared to the previous year due to new equipment installations as well as a decrease in the number of units that were decommissioned in 2017.

All amusement rides that are operated in the Province are inspected annually, and TSASK continues to perform to this high standard.

**Pressure Equipment Competency Certifications**

In addition to administering inspection services, TSASK provides programs to ensure companies and people responsible for pressure equipment meet minimum competency standards. In 2016-17, TSASK issued 121 Certificates of

**TSASK & QMS Boiler & Pressure Vessel Inspections**



Authorization to companies having demonstrated quality control systems for the installation, repair, alteration and/or manufacture of pressure equipment. This is on par with last year when 123 Certificates were issued.

Certificates are valid for three-year periods before mandatory review and re-certification. There are 366 Certificates of Authorization currently issued. These companies are further supported by the 1,836 qualification licenses issued to pressure welders. During fiscal 2017, TSASK administered 866 physical demonstration and examination tests of welders, and assessed qualifications held by welders from other provinces and authorized testing companies. In fiscal 2016, 1,057 tests were conducted. Even though some major projects continued into fiscal 2017, there were fewer construction jobs in the Province relative to the prior year, which resulted in a decline in testing.

**Design Survey**

TSASK reviews designs for pressure equipment and elevating devices that are to be operated in Saskatchewan to determine that the design complies with provincial legislation as well as relevant codes and standards.

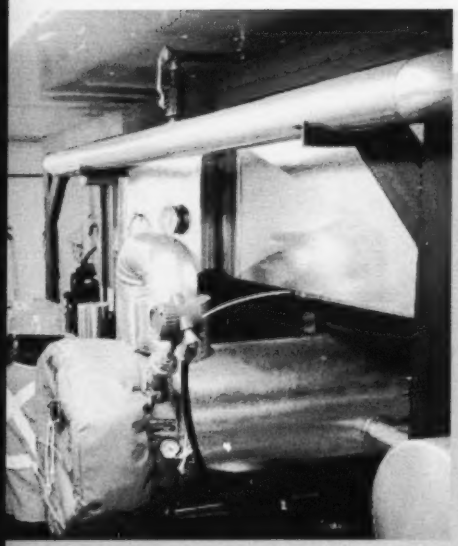
In fiscal 2017, 1,259 pressure equipment designs were reviewed and registered, which compares to 1,576 and 2,154 in the previous two years. The 20.2% year-over-year variance was anticipated given the continued decline in demand from the industry. This also reflects management's decision to downsize this business unit as part of TSASK's organizational restructuring in response to the decline.

Last year, TSASK introduced new boiler pressure vessel service level options in an effort to create a process for urgent reviews to be completed. As well, the Company began accepting submissions electronically and implemented a single invoicing system to reduce paperwork.

There were 185 elevating device plans registered during the year compared to 214 last year. In 2015-16 building growth in the Province resulted in additional elevator designs being registered. This growth slowed in fiscal 2017.

**Power Engineering**

At year-end, there were 10,660 valid power engineering licences for boilers and refrigeration plants operating in the Province, compared to 11,124 at the same time in the prior year. Power engineering licences are renewed every year or every five years, and this year TSASK processed 2,247 renewals, which compares to 1,933 last year. The variances reflect the cyclicality of the licensing process and not the number



of power engineers licenced in the Province.

TSASK conducted 3,422 examinations for people working towards a new or upgraded certificate level, which compares to 3,291 in 2015-16 and is line with the three-year average of 3,431.

TSASK actively participates with a national committee that has standardized an examination question bank and examination policy. This allows for the recognition of a power engineer's certification by other provinces. TSASK administers the third highest number of standardized exams in the country, exceeded only by Alberta and Ontario.

This year, TSASK implemented a program to provide exam feedback on multiple-choice exams to students and to the various colleges. To provide additional value, we de-construct the results by syllabus topics and highlight the strengths and weaknesses of the course training and study components to support continuous improvement.

In addition to this examination work, TSASK continues to promote power engineering as a career. The lack of skilled operators has been a limiting issue for industry in the past. This presented an opportunity to become involved in a program that is now being recognized and promoted in support of the industry. SaskPower, Prairie South School Division, and TSASK partnered together to support Saskatchewan youth who want to become skilled in this highly sought after profession.

The Prairie South School Division was the lead educational partner to develop this initiative with SaskPower. In 2017, the program was expanded to include the Saskatoon Catholic School Division, the Prairie Spirit School Division, the South East Cornerstone School Division, the Holy Trinity School Division, the Saskatoon Tribal Council and Saskatoon's Public School Division.

SaskPower provides hands-on training at its Poplar River, Queen Elizabeth, Boundary Dam and Shand Power Stations. The school divisions provide course training that is recognized as 20 and 30 level high school credits. TSASK formally recognizes these components as approved course materials, which allows students to take the national certification examination. TSASK also works with the Sun West Distance Learning Centre in Kenaston to support web-based power engineering courses. Additional school divisions and industry partnerships are expected in fiscal 2018.

**Accidents**

TSASK is pleased to report that there were no fatalities associated with the failure of equipment in fiscal 2017. In total, there were 15 accidents reported to TSASK during the year, which compares to seven accidents the previous year. There were eight boiler and pressure vessel accidents in 2017 (four in fiscal 2016), but no injuries occurred. There were five elevating device accidents compared to two last year with one serious injury that resulted during the maintenance of an escalator. TSASK provided corrective action recommendations in this situation. For amusement rides, there were two accidents in fiscal 2017, with one causing injury. There was one accident in the prior year.

All reported accidents were investigated for cause. A determination was then made with respect to the need for targeted or general industry awareness or corrective actions. TSASK continues to issue directives for escalator and maintenance testing and includes processes for reporting maintenance and testing information by industry.

**Appeals**

The Boiler and Pressure Vessel Safety Board, an initiative established within *The Boiler and Pressure Vessel Act, 1999*, hears appeals against the decisions of the Chief Inspector. The Board has the authority to review

decisions related to the cancellation or suspension of a licence, the refusal to register or deregister a design and the cancellation or suspension of an Inspection Certificate, a Certificate of Authorization, or a Certificate of Qualification.

The Boiler and Pressure Vessel Safety Board received no appeals in 2016-17.

**Status of Acts and Regulations**

Although TSASK operates at arm's length from the provincial government, the Ministry of Government Relations remains responsible for the establishment of public policy as well as the maintenance and amendment of all associated acts and regulations. During 2016-17, TSASK consulted and surveyed its stakeholders extensively in an effort to support the work of the Ministry. TSASK assisted the Ministry with the preparation of documents and drafting instructions that were presented to the Red Tape Reduction Committee (RTRC) of Government. This Committee approved the recommendation to update all three regulations that TSASK administers and enforces.

The Amusement Ride Regulations appeared before the Legislation and Regulation Review Committee (LRRC) of Government during fiscal 2017. The Elevator Regulations are expected to go before the LRRC in early fiscal 2018 with the Boiler Pressure Vessel Regulations to follow. Based on current expectation, we anticipate that all three Regulations will be proclaimed in January 2018.

TSASK would like to acknowledge the significant work undertaken by the Ministry to support the Company's mandate.

**Saskatchewan Integrity Association**

TSASK was integral in the creation and continues to support the ongoing operation of the Saskatchewan Integrity Association (SIA). SIA is an owner association of pressure equipment inspectors and company integrity management inspectors who are focused on continuously improving and optimizing safety, reliability and integrity of pressure equipment within Saskatchewan facilities. During fiscal 2017, there were 19 member companies, representing 36.9% of the equipment in the Province. This compares to 39.8% or 17 companies last year.

SIA and TSASK enjoy a strategic and collaborative relationship and share complementary objectives as they relate to the development of changes to policies and procedures used by TSASK for such topics as pressure piping design registration, QMS reporting, and incident reporting definitions. During 2017, the SIA played an important role as a major stakeholder during the regulatory consultation and feedback process TSASK and the Ministry of Government Relations engaged in to revise the regulations associated with the Acts governing TSASK's mandate.

**Participation in the Standard Development Process and Liaison with Industry and Other Regulators**

TSASK continues to contribute to, and participate in, national and international standards development. As members of the Canadian Standards Association (CSA), the National Board of Boiler and Pressure Vessel Inspectors (NBBI), and the American Society of Mechanical Engineers (ASME), TSASK personnel continue to participate on the following technical committees related to codes and standards adopted under provincial legislation:

- CSA B51 - Boiler, Pressure Vessel and Pressure Piping Code;
- CSA B52 - Mechanical Refrigeration Code;
- CSA B44 - Elevating Devices;
- ASME Boiler and Pressure Vessel Code - pressure vessel, non- destructive examination, and welding committees;
- Association of Chief Boiler and Pressure Vessel Inspectors (ACI);
- Association of Provincial Chief Elevator Inspectors (APCEI);
- Standardization of Power Engineers Examinations Committee (SOPEEC).

TSASK is also committed to ensuring that it maintains effective liaisons with other regulators and industry by attending and participating in the following associations and committees:

- Saskatchewan Integrity Association (SIA);
- Upstream Chief Inspectors Association (UCIA);
- International Pressure Equipment Integrity Association (IPEIA);

- Saskatchewan Power Engineers Technology Program Advisory Committee;
- The National Public Safety Advisory Committee (a Federal/Provincial/Territorial advisory committee).

TSASK supports the creation of the Saskatchewan Chief Power Engineers Association, which has a focus on plant operations as overseen by chief power engineers at larger industrial and institutional facilities. We have also become a member of the Saskatchewan Chapter of the Canadian Propane Association with the goal of facilitating more effective communication with the industry.

**Public Education and Information Sessions**

As a means to identify and meet the needs of those that have an interest in our public safety systems, TSASK continues to develop and deliver public education and information sessions.

We once again sponsored and presented at the International Pressure Equipment Integrity Association meetings. Additionally, TSASK has continued the practice of delivering a presentation on legislation and how it affects the certification and licensing of power engineers as part of every entry-level limited power engineering examination.

We continue to offer a two-day seminar on Saskatchewan pressure equipment safety legislation that provides an overview of Saskatchewan provincial boiler and pressure vessel safety program requirements as well as an introduction to the scope and principles of the associated technical codes.

We also joined the Canadian Propane Association, and SaskPower Gas Inspections unit at the 2017 Canada Farm Progress show to present a shared message on propane tank safety and regulatory requirements.

**Risk Management**

Development of a comprehensive risk management program has been a very important strategic priority for TSASK, as it provides the strategic basis and operational framework for all that we do.

To gain an understanding of TSASK's risk environment, the current conditions in which the company operates must be reviewed from an internal and external risk management perspective. TSASK considers macroeconomic and environmental risks, the size, nature and unique characteristics of the various industries it serves, and its customer base, utilizing a comprehensive enterprise risk management framework. This allows us to incorporate risk into our decision-making and resource allocation choices, while ensuring we continue to fulfill our mandate.

Our Basebridge software also includes a risk assessment system. This allows us to assess and record equipment risk and assign a Risk Priority Number (RPN) for each piece of equipment. We will quantify the risk, based on the calculation of three criteria:

1. Probability - probability that the equipment could fail, using variables such as condition and design;
2. Severity - consequences if the equipment were to fail, based on variables such as location and dependence of other processes on the equipment; and
3. Detection - the effectiveness of processes and controls that could detect a problem before failure occurs.

By determining the RPN scores for equipment, TSASK is able to categorize and query equipment by risk, allowing appropriate actions to be taken. The risk assessment system is currently in place for boilers and pressure vessels and we now have 23,808 items rated with an RPN score, which compares to over 15,000 last year. We continue to utilize risk information to develop new inspection frequency criteria and intend to expand this work in fiscal 2018.

# Board of Directors

The Technical Safety Authority of Saskatchewan's Board is comprised of five to 10 members, with representation from industry and business. Two positions are appointed through Order-in-Council by the Government of Saskatchewan. Mr. Ken Acton and Mr. Neil Robertson were the government appointees for fiscal 2016-17.

A number of directors completed their term this past fiscal year.

***Robert Watt*** began with TSASK as a financial consultant acting in the Chief Financial Officer capacity from November 2010 until March 2011. He was named to the TSASK Board in April 2011 and on December 1, 2012 became interim Managing Director until the appointment of the current CEO on January 8, 2013. Mr. Watt was the Chair of the Board from February 2013 to October 2016. He was a member of the Audit and Finance Committee and was an ex officio member of the Human Resources Committee.

***Ken From*** joined the Board in November of 2013 after serving as CEO of TSASK from 2010 to October 2012. Mr. From became Vice-Chair in February 2016 and the Chair of the Board in October 2016. He was also a member of the Human Resources Committee.

***Shara McCormick*** joined the Board in April 2011 and completed her term in April of 2017. She was named Chair of the Human Resources Committee in October 2011 and served in that capacity until the end of her term. She was also the Vice-Chair of the Board from December 2012 to February 2016.

***Keith Laxdal*** was appointed through Order-in-Council to the TSASK Board and was a director from May 2010 to November 2016. He was a member of the Human Resources Committee.

***Peter Hoffmann*** joined the TSASK Board as an Order-in-Council appointment in June of 2010. Mr. Hoffman became Chair of the Audit and Finance Committee in September 2015 until the end of his term in November 2016.

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The following individuals currently serve as directors on the TSASK's Board:

**TOM ROBINSON**

*Chair: The Board of Directors*
*Member: Governance and HR Committee; Audit and Finance Committee; Technical Committee*

Tom Robinson was a Regional Managing Partner for KPMG LLP as well as the Managing Partner for the Regina office for a number of years. He provided audit, business advisory and consulting services to large and medium sized organizations in the private and public sectors for 39 years.

Tom has been committed to active community service for many years. Some of these roles included: President of the Saskatchewan Roughrider Football Club, President of SaskSport, Chairman and President of the 1987 Western Canada Summer Games, Vice President of Sponsorship for the 1995 Grey Cup, Chairman and Governor of the Board of Governors of the Canadian Football League. Tom joined the Board of Directors in November 2015 and became Chair of the Board in February of 2017. He lives in Regina.

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**NORM BEUG**

*Vice Chair: The Board of Directors*
*Chair: Technical Committee*
*Member: Governance and HR Committee*

Norm Beug is the former Sr. Vice President, Potash Operations for Mosaic Company, having retired in 2013. Norm was a member of the Mosaic senior leadership team. He had overall responsibility for Mosaic's six potash mining operations in Canada and the USA.

A native of Saskatchewan, Norm earned his Bachelor's degree in Mechanical Engineering from the University of Saskatchewan in 1974. He is the former Chairperson of the Canadian Fertilizer Institute and is currently the Chair of the Board of Tourism Saskatchewan. He was a

member of the SaskEnergy Board, the Regina Symphony Orchestra Board, the Board for the Hospitals of Regina Foundation and the past honorary chair of the Saskatchewan Roughriders Centennial Advisory Committee. Norm is Past President of the Saskatchewan Mining Association and the Past Chair of the Saskatchewan Potash Producers Association.

In 2002, Norm was named as one of the ten most influential businessmen in Saskatchewan for his work as a Business Ambassador. In 2005, Norm was honoured with a Centennial Medal from the Government of Saskatchewan. Norm joined the TSASK Board in May, 2016. He lives in Regina.

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**KEN ACTON**

*Chair: Governance and HR Committee*
*Member: Technical Committee*

Ken Acton spent over 28 years in the Saskatchewan Public Service before retiring at the end of September 2016. He held numerous senior leadership roles including Assistant Deputy Minister of Courts and Civil Justice with the Ministry of Justice and Attorney General, Deputy Minister of Social Services, and completed his career with the Public Service as Special Advisory to the Deputy Minister of Social Services. Ken joined the Johnson Shoyama Graduate School of Public Policy at the University of Regina as an Executive-in-Residence in October 2016.

Ken served as Chair of the Public and Private Rights Board of Saskatchewan from 1990 to 2011, a member of the Saskatchewan Legal Aid Commission from 2008 to 2013 and was a Director of the Saskatchewan Housing Corporation serving on the Board from 2012 to 2017. He was appointed via the Saskatchewan Government's Order in Council to the TSASK Board in December, 2016. He lives in Moose Jaw.

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**GREG MRAZEK**

*Chair: Audit and Finance Committee*
*Member: Technical Committee*

Greg Mrazek obtained his Chartered Accountant designation in 1977 and has 34 years of work experience in Alberta and Saskatchewan. Greg spent six years in public accounting in Calgary providing audit assurance and financial consulting services to clients in industries such as oil and gas, real estate development, manufacturing and agriculture. In 1981, he moved to Regina as the Controller for Crown Investments Corporation, the holding company for Saskatchewan's commercial Crown Corporations. Greg was the Controller for SaskEnergy Incorporated, Saskatchewan's natural gas utility, from 1991 to 1997 and Vice President Finance from 1997 to 2009. As Vice President Finance he was responsible for strategic planning, financial planning, financial reporting, treasury and administrative functions. Greg was SaskEnergy's representative on the Canadian Gas Association's Corporate Affairs Committee from 1992 to 2005. He was also a speaker at Crown Corporation Governance conferences organized by the Federated Press and The Canadian Institute. He joined the Board in November, 2015. He lives in Regina.

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**NEIL ROBERTSON**

*Member:Governance and HR Committee; Audit and Finance Committee*

Neil Robertson, Q.C. is a lawyer who has practiced in Regina since 1984, currently as a sole practitioner with a specialized practice in local government law and as an investigator, mediator and arbitrator. Neil previously practiced with Robb & Dowling and as in-house counsel with the Regina Police Service and the Regina City Solicitor's Office. Neil also serves as an Inquest Coroner and Chair of the Saskatchewan Police Commission.

Neil has been active in professional and community associations, which was recognized in 2016 by the award of the Saskatchewan Volunteer Medal. He was appointed to the Board under a Saskatchewan government Order-in-Council in December 2016. He lives in Regina.

# Management's Responsibility for the Financial Statements

To the Board of Directors:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgements and estimates in accordance with Canadian accounting standards for not-for-profit organizations and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgement is required.

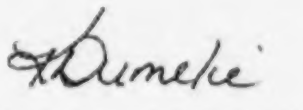
In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and the Audit & Finance Committee are composed entirely of Directors who are neither management nor employees of Technical Safety Authority of Saskatchewan. The Audit & Finance Committee is responsible for overseeing management in the performance of its financial reporting responsibilities, and for recommending approval of the financial statements to the Board. The Audit & Finance Committee has the responsibility of meeting with management and the external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit & Finance Committee is also responsible for recommending the appointment of the Authority's external auditors.

MNP LLP, is appointed by the Board of Directors to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the committee and management to discuss their audit findings.

August 31, 2017

Bill Scott
Chief Executive Officer



Kim Dumelie
Vice President, Corporate Services

# Independent
# Auditors' Report

To the Directors of Technical Safety Authority of Saskatchewan:

We have audited the accompanying financial statements of Technical Safety Authority of Saskatchewan, which comprise the statement of financial position as at June 30, 2017, and the statements of operations and changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Technical Safety Authority of Saskatchewan as at June 30, 2017 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

MNP LLP

Chartered Professional Accountants

Regina, Saskatchewan
August 31, 2017

# STATEMENT OF FINANCIAL POSITION

## TECHNICAL SAFETY AUTHORITY OF SASKATCHEWAN
## AS OF JUNE 30, 2017

| | | 2017 | | 2016 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current Assets** | | | | |
| Cash | $ | 1,085,691 | $ | 1,334,072 |
| Accounts receivable (note 3) | | 357,912 | | 404,459 |
| Prepaid expenses | | 101,767 | | 96,336 |
| Short-term investments (note 4) | | 4,421,148 | | 4,276,418 |
| | | 5,966,518 | | 6,111,285 |
| **Long-term investments** (note 4) | | 1,702,546 | | 503,292 |
| **Tangible capital assets** (note 5) | | 937,369 | | 1,198,500 |
| **Intangible capital assets** (note 6) | | 492,751 | | 631,161 |
| | $ | 9,099,184 | $ | 8,444,238 |
| **LIABILITIES AND NET ASSETS** | | | | |
| **Current Liabilities** | | | | |
| Accounts payable and accrued liabilities (note 8) | $ | 355,768 | $ | 475,158 |
| Deferred revenue (note 9) | | 3,789,571 | | 3,336,694 |
| Deferred tenant allowance (note 10) | | 35,383 | | 35,383 |
| | | 4,180,722 | | 3,847,235 |
| **Deferred revenue** (note 9) | | 640,123 | | 734,863 |
| **Deferred tenant allowance** (note 10) | | 158,354 | | 193,737 |
| | $ | 4,979,199 | $ | 4,775,835 |
| **Net Assets** (note 11) | | | | |
| Invested in capital assets | $ | 1,430,120 | $ | 1,829,661 |
| Externally restricted - safety standards agreement | | 600,000 | | 600,000 |
| Operating reserve | | 2,089,865 | | 1,238,742 |
| | | 4,119,985 | | 3,668,403 |
| | $ | 9,099,184 | $ | 8,444,238 |

Commitments (note 12)

See accompanying notes to the financial statements.

**Approved by the Board:**

Director

Director

# STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

## TECHNICAL SAFETY AUTHORITY OF SASKATCHEWAN
## FOR THE YEAR ENDED JUNE 30, 2017

| | | 2017 | | 2016 |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Boiler and pressure vessel safety | $ | 7,372,493 | $ | 7,608,287 |
| Elevator safety | | 1,460,929 | | 1,535,239 |
| Amusement ride safety | | 53,534 | | 52,086 |
| Other | | 78,528 | | 69,641 |
| | | 8,965,484 | | 9,265,253 |
| **EXPENSES** | | | | |
| Salaries and benefits | $ | 6,168,690 | $ | 6,998,994 |
| Rent, space and equipment | | 695,115 | | 730,557 |
| Travel | | 459,700 | | 504,950 |
| Amortization | | 443,309 | | 421,142 |
| Other business expenses | | 274,123 | | 344,350 |
| Legal, accounting and other services | | 205,272 | | 242,555 |
| Administrative | | 184,324 | | 171,832 |
| Board and committees | | 83,369 | | 99,812 |
| | | 8,513,902 | | 9,514,192 |
| **EXCESS OF REVENUES OVER EXPENSES** | **$** | **451,582** | **$** | **(248,939)** |
| Net Assets, beginning of year | | 3,668,403 | | 3,917,342 |
| **NET ASSETS, END OF YEAR** | **$** | **4,119,985** | **$** | **3,668,403** |

See accompanying notes to the financial statements.

# STATEMENT OF CASH FLOWS

## TECHNICAL SAFETY AUTHORITY OF SASKATCHEWAN
## FOR THE YEAR ENDED JUNE 30, 2017

| | | 2017 | | 2016 |
|---|---|---|---|---|
| **CASH FLOWS FROM (USED IN)** | | | | |
| **OPERATING ACTIVITIES** | | | | |
| Excess of revenue over expenses | $ | 451,582 | $ | (248,939) |
| Items not affecting cash | | | | |
| Amortization of tangible assets | | 260,709 | | 260,853 |
| Amortization of intangible assets | | 182,600 | | 160,289 |
| Amortization of tenant allowance | | (35,383) | | (35,383) |
| Impairment of tangible capital assets | | 422 | | - |
| | | 859,930 | | 136,820 |
| Net change in non-cash working capital | | | | |
| Accounts receivable | | 46,547 | | (96,415) |
| Prepaid expenses | | (5,431) | | 12,230 |
| Accounts payable and accrued liabilities | | (119,390) | | (129,181) |
| Deferred revenue | | 358,137 | | 834,158 |
| | | 1,139,793 | | 757,612 |
| **INVESTING ACTIVITIES** | | | | |
| Additions to tangible assets | | - | | (6,163) |
| Additions to intangible assets | | (44,190) | | (165,548) |
| Purchase of investments | | (1,343,984) | | (182,563) |
| | | (1,388,174) | | (354,274) |
| **(DECREASE) INCREASE IN CASH** | | **(248,381)** | | **403,338** |
| **CASH, BEGINNING OF YEAR** | | 1,334,072 | | 930,734 |
| **CASH, END OF YEAR** | **$** | **1,085,691** | **$** | **1,334,072** |

See accompanying notes to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. NATURE OF BUSINESS

The Technical Safety Authority of Saskatchewan (TSASK) is a not-for-profit organization which was established effective July 1, 2010 through the passing of The Technical Safety Authority of Saskatchewan Act (the "Act"). TSASK was created from the Licensing and Inspections Branch of the Ministry of Corrections, Public Safety and Policing, with a mandate of delivering safety programs related to pressure equipment, elevating devices and amusement rides in the province. TSASK's relationship with government now resides with the Ministry of Government Relations.

TSASK's registration, inspection, certification and licensing programs and services operate on a fee-for-service basis. These fees are charged to those involved in the manufacturing, installing and operating of technical equipment. TSASK entered into the Safety Standards Agreement with the Government of Saskatchewan to establish the rights and responsibilities of the parties and the terms and conditions for the delegation to TSASK of the administration of the safety statutes in accordance with the Act.

TSASK administers and enforces the following legislated safety statutes:

- The Boiler and Pressure Vessel Act, 1999;
- The Passenger and Freight Elevator Act;
- The Amusement Ride Safety Act.

## 2. SIGNIFICANT ACCOUNTING POLICIES

**(a) Basis of Accounting**

TSASK's financial statements are prepared in accordance with Canadian generally accepted accounting standards for not-for-profit organizations.

**(b) Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. In particular, accounts receivables are stated after an evaluation to determine collectability is conducted and an appropriate allowance for doubtful accounts is provided where considered necessary. Estimates are also used to determine amortization which is based on the estimated useful lives of the assets. The percentage of completion of revenue is also estimated. Estimates are based on management's knowledge of current events and actions TSASK may undertake in the future. These estimates and assumptions are reviewed periodically and adjusted for as required.

**(c) Revenue Recognition**

When a fee covers a specific period, revenues are recognized evenly over that period. Where the fee does not cover a specific period and is earned over a period of time, estimates are used to determine the period over which revenue is recognized, based on past history. Fees collected in advance are classified with deferred revenue. All other revenues are recorded when services are performed and are recorded on the accrual basis.

**(d) Corporate Income Taxes**

TSASK is incorporated as a not-for-profit organization and is exempt from federal and provincial income taxes.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(e) Cash**

Cash is comprised of balances with the bank and is recognized at fair value.

**(f) Investments**

Investments consist of term deposits and are carried at fair market value. Investments expected to be realized beyond the next fiscal year are classified as long-term.

**(g) Tangible Capital Assets**

Tangible capital assets are recorded at cost. Amortization of property and equipment commences when it is brought into service and is provided on a straight-line basis over the estimated useful lives of the assets as follows:

| | |
|---|---|
| Furniture and equipment | 7 years |
| Computer hardware | 3 - 5 years |
| Leasehold improvements | term of the lease |

**(h) Intangible Capital Assets**

Direct costs attributed to the purchase and customization of third party software are capitalized and are recorded at cost. Costs to support or service software are expensed in the period incurred. Amortization of software commences when it is brought in to service and is provided on a straight-line basis over the estimated useful life of the asset (3 - 5 years).

**(i) Financial Asset Impairment**

TSASK assesses impairment of all its financial assets measured at cost or amortized cost. TSASK groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group. Management considers whether the issuer is having significant financial difficulty and/or whether there has been a breach in contract, in determining whether objective evidence of impairment exists. Where there is an indication of impairment, TSASK determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, TSASK reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; and the amount that could be realized by selling the assets. Any impairment, which is not considered temporary, is included in current year earnings.

TSASK reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the statement of operations.

**(j) Deferred Tenant Allowance**

Deferred tenant allowance includes amounts received in lease agreements related to leasehold improvements. Amortization of the deferred tenant allowance is recognized over the length of the lease on a straight-line basis.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(k) Financial Instruments**

Financial instruments are recognized when TSASK becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at fair value. Financial assets and liabilities originated and issued in related party transactions are initially measured at their carrying or exchange amount in accordance with CPA Canada Part II, Section 3840 Related Party Transactions.

At initial recognition, TSASK may irrevocably elect to subsequently measure any financial instrument at fair value. TSASK has elected to measure investments at fair value.

TSASK subsequently measures all other financial instruments at cost or amortized cost.

## 3. ACCOUNTS RECEIVABLE

| | 2017 | 2016 |
|---|---|---|
| Trade | $ 329,130 | $ 396,455 |
| Other receivables | 45,484 | 28,034 |
| Allowance for doubtful accounts | (16,702) | (20,030) |
| | **$ 357,912** | **$ 404,459** |

## 4. INVESTMENTS

**(a)** Short-term investments consist of term deposits of $4,421,148 (2016 – $4,276,418) with yields between 0.95% and 1.15%, maturing prior to January 23, 2018.

**(b)** Long-term investments consist of the following, maturing in March and June of 2019, at a rate of 1.15%:

| | COST 2017 | MARKET VALUE | COST 2016 | MARKET VALUE |
|---|---|---|---|---|
| Term Deposit | $ 1,700,000 | $ 1,702,546 | $ 500,000 | $ 503,292 |

## 5. TANGIBLE CAPITAL ASSETS

| | Cost 2017 | Accumulated Amortization | Cost 2016 | Accumulated Amortization |
|---|---|---|---|---|
| Furniture and equipment | $ 1,025,229 | $ 621,934 | $ 1,029,032 | $ 465,781 |
| Leasehold improvements | 901,080 | 367,006 | 901,080 | 265,831 |
| | 1,926,309 | $ 988,940 | 1,930,112 | $ 731,612 |
| Accumulated amortization | (988,940) | | (731,612) | |
| Net book value | **$ 937,369** | | **$ 1,198,500** | |

# NOTES TO THE FINANCIAL STATEMENTS

## 6. INTANGIBLE ASSETS

| | COST 2017 | Accumulated Amortization 2017 | Cost 2016 | Accumulated Amortization 2016 |
|---|---|---|---|---|
| Software | $ 969,260 | $ 476,509 | $ 925,070 | $ 293,909 |
| Accumulated amortization | (476,509) | | (239,909) | |
| Net book value | **$ 492,751** | | **$ 631,161** | |

## 7. DEMAND OPERATING FACILITY AGREEMENT

TSASK has a Demand Operating Facility Agreement providing for a revolving line of credit for loans and overdrafts not to exceed $250,000. The interest rate is set at prime rate + 0.5% per annum. Bank Security under the agreement consists of a first charge to acquired personal property and guarantee. During the year, TSASK continually had a positive cash balance and at no point was the line of credit accessed (2016 - $nil).

## 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | 2017 | 2016 |
|---|---|---|
| Trade payables | $ 22,553 | $ 8,047 |
| Accrued liabilities | 48,987 | 49,310 |
| Employment insurance payable | 1,280 | 1,185 |
| Canada pension plan payable | 3,675 | 3,053 |
| Employee income tax payable | 22,832 | 19,356 |
| Payroll employer liabilities | 252,359 | 390,847 |
| Provincial sales tax payable | 157 | 237 |
| Goods and services tax payable | 3,925 | 3,123 |
| | **$ 355,768** | **$ 475,158** |

## 9. DEFERRED REVENUE

| | 2017 | 2016 |
|---|---|---|
| Deferred elevator licensing | $ 555,393 | $ 537,013 |
| Deferred boiler and pressure vessel licensing | 3,874,301 | 3,534,544 |
| Total deferred revenue | $ 4,429,694 | $ 4,071,557 |
| Current portion | **$ 3,789,571** | **$ 3,336,694** |
| Long-term | **$ 640,123** | **$ 734,863** |

## 10. DEFERRED TENANT ALLOWANCE

| | | 2017 | | 2016 |
|---|---|---|---|---|
| Deferred tenant allowance, beginning of year | $ | 229,120 | $ | 264,503 |
| Amortization of tenant allowance | | (35,383) | | (35,383) |
| Deferred tenant allowance, end of year | $ | 193,737 | $ | 229,120 |
| Current portion | **$** | **35,383** | **$** | **35,383** |
| Long-term | **$** | **158,354** | **$** | **193,737** |

## 11. NET ASSETS

**(a) Invested in capital assets**

Net assets invested in capital assets of $1,430,120 (2016 - $1,829,661) represent the amount of net assets that are not available for other purposes due to investment in long-term assets.

**(b) Externally restricted reserve**

The Safety Standards Agreement requires TSASK to maintain adequate surplus to protect the organization from unforeseen circumstances that would affect the viability of TSASK. The amount of the reserve must cover operating costs of four months and be comprised of a restricted net asset of $600,000 and the remainder be funded through deferred revenue. The Board of Directors had restricted $600,000 for this purpose and deferred revenues total $4,429,694 (2016 - $4,071,557) meeting the funding requirements.

**(c) Operating reserve**

The operating reserve represents all accumulated surplus from boiler pressure vessel operations and elevator and amusement ride operations. This amount can be used to fund future operating initiatives and is unrestricted.

| | | Invested in Capital Assets | | Operating Reserve | | Externally Restricted Reserve | | Total |
|---|---|---|---|---|---|---|---|---|
| Net assets, June 30, 2016 | $ | 1,829,661 | $ | 1,238,742 | $ | 600,000 | $ | 3,668,403 |
| Excess of revenues over expenses | | - | | 451,582 | | - | | 451,582 |
| Net investment in capital assets | | (399,541) | | 399,541 | | - | | - |
| Net assets, June 30, 2017 | **$** | **1,430,120** | **$** | **2,089,865** | **$** | **600,000** | **$** | **4,119,985** |

## 12. COMMITMENTS

TSASK has entered into various lease agreements with minimum annual payments as follows:

| | | |
|---|---|---|
| 2018 | $ | 428,317 |
| 2019 | | 448,931 |
| 2020 | | 403,325 |
| 2021 | | 294,628 |
| Thereafter | | 491,047 |
| | **$** | **2,066,248** |

## 13. FINANCIAL INSTRUMENTS

### FAIR VALUE

TSASK's financial instruments consist of cash, accounts receivable, investments, accounts payable, and accrued liabilities. The carrying amount of TSASK's financial instruments approximates fair value, due to relatively short-term maturities.

### CREDIT RISK

TSASK is exposed to credit risk of its trade receivables. TSASK manages this credit risk through monitoring of credit balances and active collection activity. In the event that an account is deemed uncollectible, the account is written off as a bad debt.

### INTEREST RATE RISK

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. TSASK has no significant exposure to interest rate risk.

### LIQUIDITY RISK

Liquidity risk is the risk that TSASK will not be able to meet its financial obligations as they fall due. TSASK's approach to managing liquidity risk is to ensure that it will have sufficient working capital and cash flow generated from operations to fund the operations and settle debt and liabilities when due. TSASK also maintains an operating reserve to mitigate this risk (note 11). Contractual obligations and payments related to financial liabilities as of June 30, 2017 are all expected to be paid by June 30, 2018.

### FOREIGN CURRENCY RISK

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. TSASK enters into transactions to receive income denominated in US dollars. TSASK has no significant exposure to foreign currency risk.

## 14. PENSION PLAN

TSASK participates in the Public Employees Pension Plan (PEPP), a defined contribution pension plan. TSASK's obligations to PEPP are limited to 7.6% of earnings for all employees for current services. During the year, TSASK contributed $397,507 (2016 - $440,474) to PEPP, which is recorded as an expense.

## 15. TRANSACTIONS WITH GOVERNMENT

TSASK has routine operating transactions with the Government of Saskatchewan which are recorded at the rates charged by the Government of Saskatchewan and are settled on normal trade terms. Included in expenses are transactions with the Government of Saskatchewan amounting to $307,391 (2016 - $345,653) of which $32,169 (2016 – $31,011) was payable at June 30, 2017.

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